

AR41



Westfair Foods Ltd.
ANNUAL REPORT
1971

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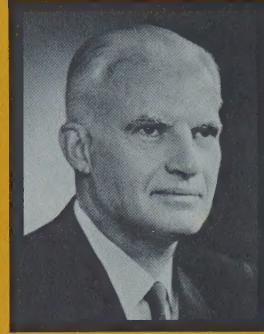
DIRECTORS



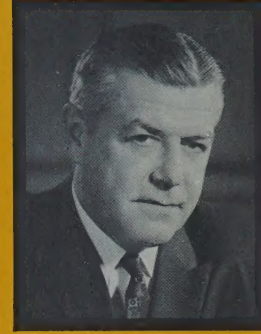
E. P. Rathgeber



G. E. Creber, Q.C.



E. S. Cooper



G. R. Hunter, Q.C.



K. W. Campbell, C.A.



M. D. Booty



F. D. Acaster



E. R. O'Neill

Officers

E. P. Rathgeber, *President & Chairman of the Board*

K. W. Campbell, C.A., *Vice President — Finance*

M. D. Booty, *Vice President — Marketing*

T. E. Anderson, *Assistant Controller*

D. G. King, C.A., *Assistant Secretary*

Auditors

Clarkson, Gordon & Co.

Solicitors

Pitblado & Hoskin, Q.C.

Bankers

Canadian Imperial Bank of Commerce

Transfer Agent

The Royal Trust Company

Stock Listings

Toronto, Montreal and Winnipeg Stock Exchanges



Westfair chose this format for its '71 annual report as the "flyer" is an important advertising contact with our retail customers. We believe this style captures the flavour of our business.

REPORT



TO THE SHAREHOLDERS

On behalf of the Board of Directors of Westfair Foods Ltd. and its Divisions, the annual report for the year ended December 31, 1971, is herewith presented.

Your directors are pleased to report another year of modest growth in spite of the generally sluggish economic climate. The continuation of the retail price war during 1971 contributed to the difficulties in obtaining satisfactory sales and profit improvement.

In the face of these conditions, net income increased by 5.6% in 1971, setting a new high of \$3,211,000. This compares to \$3,040,000 for the previous year. Consolidated sales of the company declined to \$246,312,000 compared to \$252,077,000 in 1970. The 1970 fiscal year, however, reflects 53 weeks of operations versus 52 weeks in 1971. The sales volumes of the two years are approximately equal on the basis of a comparable number of weeks of operation.

The lack of sales increase can be attributed to attrition in the independent retail field, caused mainly by the food price war and poor economic conditions in the prairie regions. There are, however, some favourable indications of a turn-about in these conditions. We anticipate further growth in both sales and net income in the current year.

Working capital increased during the year by \$2,640,000 to a total at the year end of \$18,425,000. The ratio of current assets to current liabilities has increased to a healthy 2.5 to 1. This liquidity was maintained despite dividend payments and capital expenditures of some \$2,509,000 during the year under review. Secured loans and advances were reduced by \$382,000 during the year and now total \$1,159,000. This figure represents less than half the amount owing to the company four years ago.

Capital investment programs, held under tight rein in 1970 and 1971, will be accelerated in 1972. Plans are under way for the opening of new retail outlets which will result in assisting sales growth in the future. Further expansion will be undertaken in the number of Econo-Mart warehouse discount markets. In 1971 fresh meat departments were added to a number of existing units. They have been well received by the public and are accounting for satisfactory sales increases.

During the year a large addition to the wholesale branch at Victoria, B.C., was completed. Facilities at that point are

now adequate to handle a growing sales volume on Vancouver Island.

Our total warehousing structures, numbering 30 branches, are up-to-date and capable of handling increased sales in the foreseeable future. We have been advised of three separate areas of expropriation affecting wholesale branches. These may, however, take from three to five years to complete, and will be handled in the best interests of the company.

As with most other companies, the pace of the development and use of our computing equipment has increased sharply. While our outlying wholesale branches have increased their use of smaller independent computer units, the main operations of the company are being serviced by a powerful central computing unit located in Winnipeg.

During the fall of 1971 Mr. E. R. O'Neill, General Manager of British Columbia operations, was elected to the Board of Directors. His many years of successful experience will make him a valuable addition to the Board.

Staff contribution to the growth of the company continues at a high level. While strengthening of a number of key positions was accomplished throughout the year, the overall co-operation and interest of our employees in the company is acknowledged and appreciated by the Board.

We look forward with confidence to betterment in all areas in 1972.

Winnipeg, Canada,
April 3, 1972.

E. P. RATHGEBER,
President and Chairman of the Board.

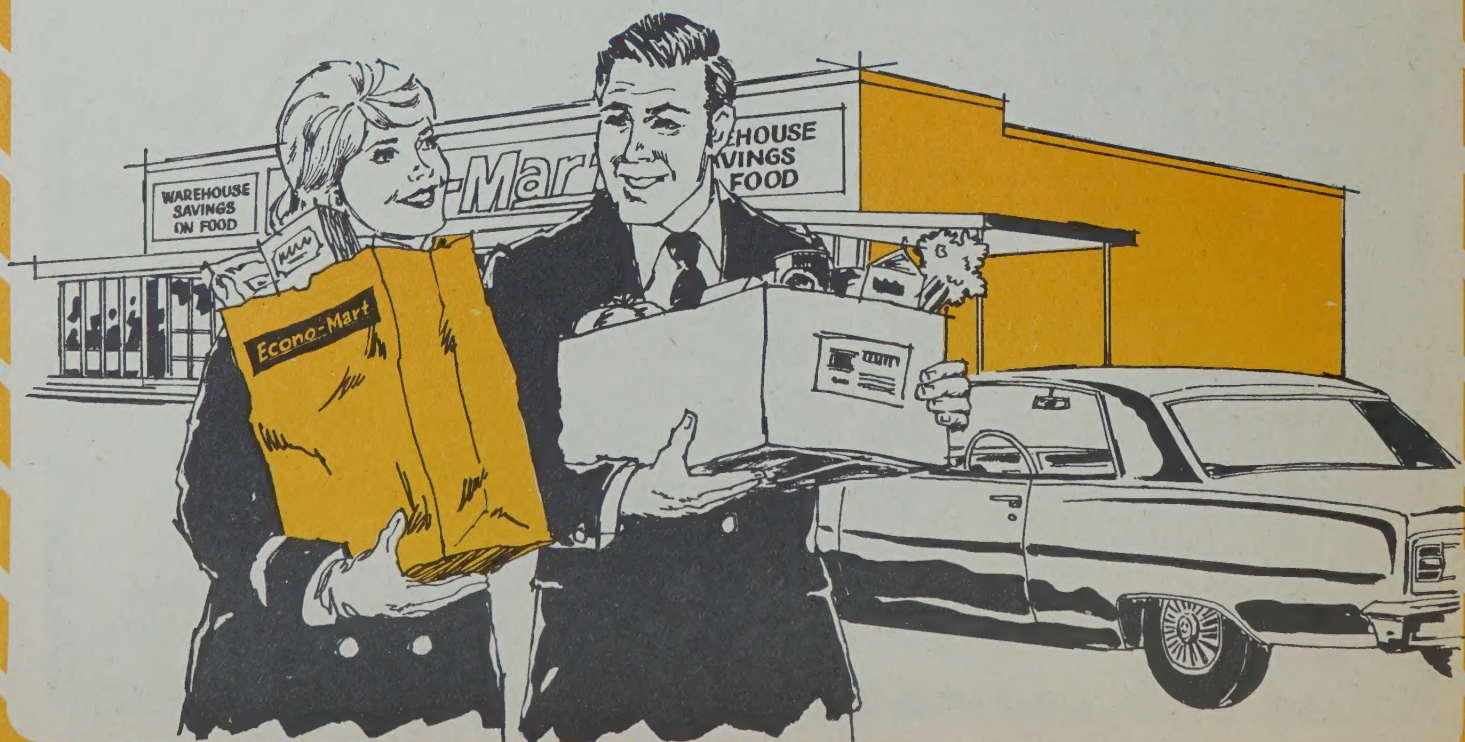
Econo-Mart

LOW COST

Food Distribution

Warehouse discount retail food distribution has been notably successful to date. By eliminating high overhead through various economy operations, product price is effectively reduced. Substantial savings to the customer must exist if the price

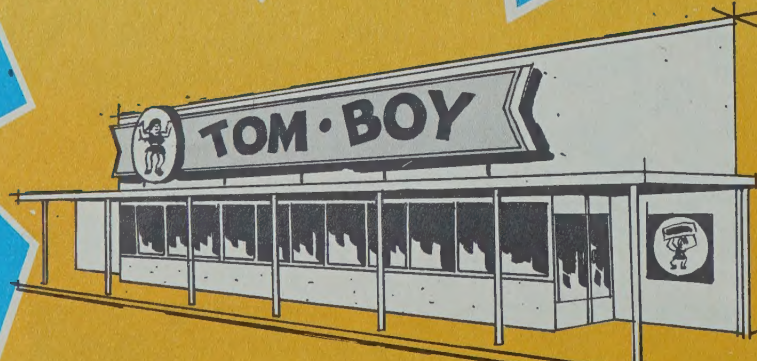
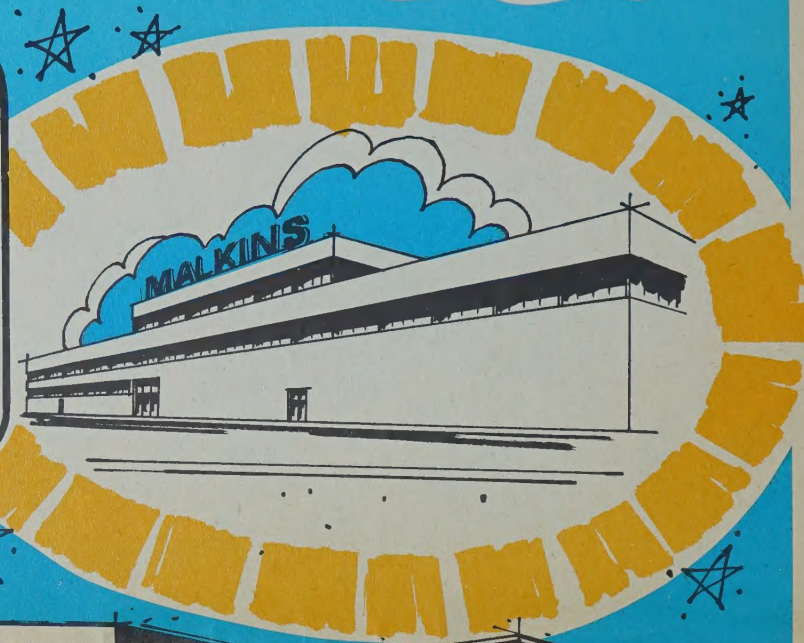
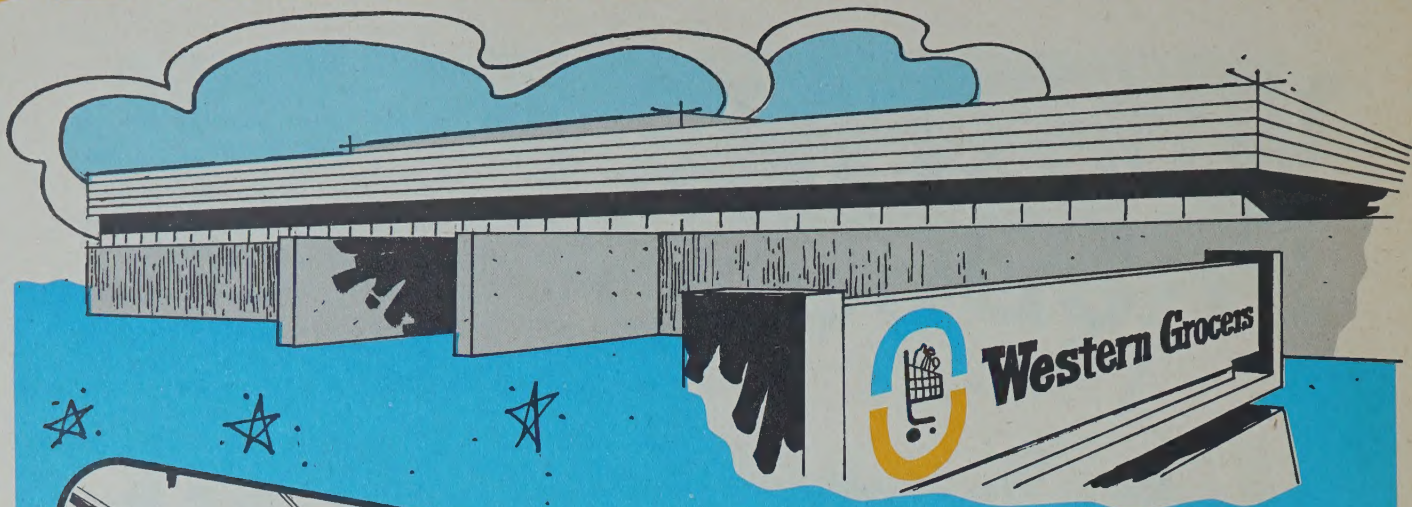
structure is to be significantly lower than standard food marketing competition. Warehouse food marketing at discount rates is an excellent example of Westfair's underlying philosophy of highest quality product at the lowest possible retail price.



WESTFAIR PRODUCTS

"House brands" are a major factor in today's marketplace. Westfair's Controlled Label Program consists of 348 lines. Our quality standards are equal to or better than national lines and prices usually lower. Today's customers are alert to this advantage.

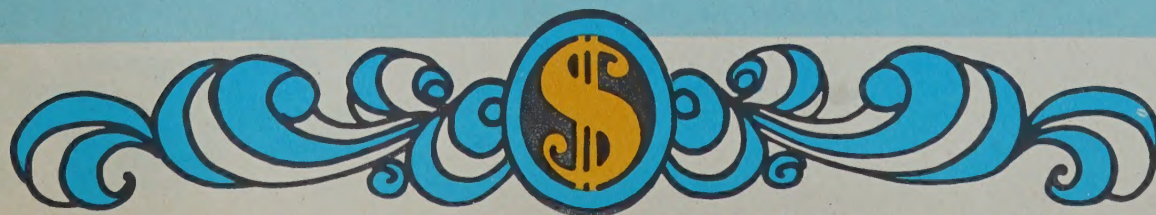




CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31, 1971 (with comparative figures for 1970)

	1971	1970
Sales	\$246,312,000	\$252,077,000
Deduct cost of sales and selling and administrative expenses before the undernoted	<u>238,939,000</u>	<u>244,854,000</u>
	<u>7,373,000</u>	<u>7,223,000</u>
Add:		
Income from investments	222,000	201,000
Gain on sale of fixed assets	<u>155,000</u>	<u>113,000</u>
	<u>377,000</u>	<u>314,000</u>
	<u>7,750,000</u>	<u>7,537,000</u>
Deduct:		
Depreciation	1,509,000	1,563,000
Interest on long-term debt	<u>118,000</u>	<u>127,000</u>
	<u>1,627,000</u>	<u>1,690,000</u>
Income before income taxes	6,123,000	5,847,000
Income taxes	<u>2,912,000</u>	<u>2,807,000</u>
Net income for year	<u>\$ 3,211,000</u>	<u>\$ 3,040,000</u>





Westfair Foods Ltd.

Consolidated Balance

DECEMBER 31, 1971 (with comparative figures at January 2, 1971)

Assets

Current assets

	1971	1970
Cash	\$ 5,357,000	\$ 2,769,000
Accounts receivable	5,441,000	5,446,000
Inventory, at lower of cost and net realizable value	19,416,000	19,240,000
Prepaid expenses	429,000	397,000
	<u>30,643,000</u>	<u>27,852,000</u>

Investments and other assets

Secured loans and advances, not due within one year	1,159,000	1,541,000
Other investments — at cost (without quoted market value)	863,000	868,000
Deferred account recoverable	787,000	
	<u>2,809,000</u>	<u>2,409,000</u>

Fixed assets — at cost:

Land and buildings	19,081,000	20,011,000
Equipment	13,844,000	14,351,000
	<u>32,925,000</u>	<u>34,362,000</u>
Less accumulated depreciation	13,372,000	13,466,000
	<u>19,553,000</u>	<u>20,896,000</u>

On behalf of the Board:

"E. P. Rathgeber" Director
"K. W. Campbell" Director

	<u>\$53,005,000</u>	<u>\$51,157,000</u>
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Sheet



Liabilities

Current liabilities

Accounts payable and accrued charges
Accounts payable, affiliated companies
Income and other taxes payable
Dividends payable (note 1)
Portion of long-term debt payable within one year

1971	1970
\$10,390,000	\$10,024,000
522,000	498,000
871,000	1,120,000
369,000	369,000
66,000	56,000

12,218,000 12,067,000

Long-term debt (note 2)

1,032,000 1,269,000

Deferred real estate income

185,000 295,000

Deferred income taxes

2,085,000 1,837,000

Shareholders' equity:

Capital stock (note 3)—

Authorized—

175,000 preferred shares, par value \$20 each
150,000 Class A shares without par value
150,000 common shares without par value

Issued—

59,715 preferred shares (\$1.40 series)
67,772 Class A shares
86,658 common shares

1,194,000 1,194,000

1,023,000 1,023,000

Retained earnings

35,268,000 33,472,000

Total shareholders' equity

37,485,000 35,689,000

\$53,005,000 \$51,157,000

Notes

to Consolidated
Financial
Statements

Year Ended December 31, 1971

1. Dividends payable:

Dividends payable of \$369,000 includes \$300,000 payable to an affiliated company.

2. Long-term debt:9% first mortgage maturing in 1989, with monthly payments of \$13,000,
including principal and interest

\$1,098,000

Less principal instalments due within one year

66,000

\$1,032,000**3. Capital stock:**

The holders of the preferred shares (\$1.40 series) are entitled to a dividend, when and as declared, of \$1.40 per share per annum on a cumulative non-participating basis. These preferred shares are non-redeemable, but may be purchased by company for cancellation. The holders of the Class A shares are entitled to dividends, when and as declared, of \$2.00 per share per annum on a non-cumulative, non-participating basis. No dividend shall be paid or declared for payment on common shares in any fiscal year unless and until dividends at the rate of \$2.00 per share for such year shall have been paid or declared on the Class A shares.

4. Directors' and officers' remuneration:

Pursuant to the Canada Corporations Act—

Remuneration of directors, as directors

\$ 1,000

Remuneration of officers, as officers

201,000

Number of directors

8

Number of officers

6

Number of officers who are directors

4

5. Long-term leases:

The aggregate minimum rentals under long-term leases (extending beyond five years from the balance sheet date) are as follows:

1972—1976 \$ 5,696,000

1977—1981 4,307,000

1982—1986 1,560,000

1987—1991 637,000

\$12,200,000**6. Accounting presentation:**

Certain changes have been made in the 1970 comparative statements in order to conform the presentation with that followed in 1971.

The fiscal year ended December 31, 1971 contained fifty-two weeks compared with a fifty-three week period for the previous fiscal year.



Westfair Foods Ltd.

Consolidated Statement of

SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1971
(with comparative figures for 1970)

Source of funds:

	<u>1971</u>	<u>1970</u>
Operations—		
Net income for year	\$ 3,211,000	\$ 3,040,000
Depreciation, less amortization of deferred real estate income	1,399,000	1,428,000
Deferred income taxes	248,000	[159,000]
	<u>4,858,000</u>	<u>4,309,000</u>
Decrease in investments		510,000
Disposal of fixed assets	928,000	633,000
	<u>5,786,000</u>	<u>5,452,000</u>

Application of funds:

Decrease in long-term debt— non-current portion	237,000	190,000
Increase in investments	400,000	
Purchase of fixed assets	1,094,000	1,692,000
Dividends	1,415,000	1,415,000
	<u>3,146,000</u>	<u>3,297,000</u>
INCREASE IN WORKING CAPITAL	2,640,000	2,155,000
WORKING CAPITAL, BEGINNING OF YEAR	<u>15,785,000</u>	<u>13,630,000</u>
WORKING CAPITAL, END OF YEAR	<u>\$18,425,000</u>	<u>\$15,785,000</u>




Westfair Foods Ltd.

Consolidated Statement of

RETAINED EARNINGS

Year Ended December 31, 1971
(with comparative figures for 1970)



	<u>1971</u>	<u>1970</u>
Balance, beginning of year	\$33,472,000	\$31,847,000
Net income for year	<u>3,211,000</u>	<u>3,040,000</u>
	36,683,000	34,887,000
Dividends:		
Preferred shares	84,000	84,000
Class A shares	135,000	135,000
Common shares	<u>1,196,000</u>	<u>1,196,000</u>
	1,415,000	1,415,000
Balance, end of year	<u>\$35,268,000</u>	<u>\$33,472,000</u>



Auditors Report

Clarkson, Gordon & Co.

Chartered Accountants

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Port Arthur Fort William Winnipeg Regina
Calgary Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

**To the Shareholders of
Westfair Foods Ltd.:**

We have examined the consolidated balance sheet of Westfair Foods Ltd. and its subsidiaries as at December 31, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.,

Chartered Accountants.

Winnipeg, Canada,
January 28, 1972.



Westfair Foods Ltd.

**TEN
YEAR**

STATISTICAL SUMMARY

(in thousands of dollars)

	Sales	Net Income After Tax	Depreciation	Working Capital	Shareholders' Equity	Total Assets
1971	\$246,312	\$3,211	\$1,509	\$18,425	\$37,485	\$53,005
1970	252,077	3,040	1,563	15,785	35,689	51,157
1969	235,601	2,848	1,389	13,630	34,064	51,778
1968	221,110	2,391	1,388	11,725	32,631	48,116
1967	206,840	2,036	1,159	11,458	31,655	45,089
1966	201,391	2,130	1,076	12,807	31,135	46,051
1965	191,032	2,122	1,088	15,036	31,226	44,645
1964	187,816	1,925	1,038	14,295	29,410	41,414
1963	184,728	1,792	1,107	13,091	27,791	41,373
1962	188,021	1,524	1,066	11,284	26,304	40,046



Westfair Foods Ltd.

Head Office: Winnipeg, Manitoba

**MAJOR
CORPORATE
DIVISION**

Western Grocers

Malkins

Dominion Fruit

McLeans

Econo-Mart

Shop-Easy

Mini Mart

Gateway Food Factors

Display Fixtures

St. Joseph's Dairy

Apex Purchasing

MAJOR CONSOLIDATED SUBSIDIARIES:

Ensign Stores Ltd.

Westfair Wholesale Properties Ltd.

Westfair Products

HALLOWEEN
KISSES
3 Tins
Choice 19 oz. Tins
TOMATOES
79¢

SEVEN FARMS

CHOICE
48 Fl. Oz. Tins
Juice, 48 Fl. Oz.
CHOICE
\$1.00
Malkin's
Choice
PEACHES
HALVES

Econo-Mia

WILEY

Better Buy
WHITE
TRADE MARK IS
INSURANCE

Westfair
Products

Meat
Effective
Feb. 25, 26, 27
Only
T-BONE STEAK
Red or Blue Brand Beef. Aged to Perfection.
VALUE CHECK'D
\$7.30

Mail

FACIAL
3 18¢ PK

SALMON
SEVEN FARMS
HOT DOG
WIENERS
Malkin's
PEACHES
Dot Whet

SIRLOIN
BEEF ROAST
STEW BEEF
STEAKETTES
DINNER PICNIC
WIENERS
Rump
Red or
Aged
Fresh
hearty
Bur
10-
20-
Seven
Try H